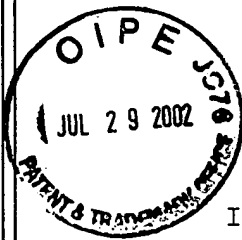


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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of)
James P. LEISTENSNIDER et al.)
Serial No. 09/373,786) Examiner: Jeffrey C. Pwu
Filed: August 13, 1999) Group Art Unit: 3624
For: METHOD AND SYSTEM FOR) July 29, 2002
CREATING A PORTFOLIO)
OF STOCK EQUITIES BASED)
ON MARKET CAPITALIZATION)

TRANSMITTAL OF APPEAL BRIEF

Assistant Commissioner for Patents
Washington, D.C. 20231

Dear Sir:

Enclosed in connection with the above-referenced application is an Appeal Brief with Appendix in triplicate. A check is enclosed to cover the following fees: \$320.00 to cover the fee for filing a brief in support of a notice of appeal.

Also, please charge any additional fees or credit any overpayment to Deposit Account No. 02-2135. A duplicate copy of this sheet is enclosed.

Respectfully submitted,

ROTHWELL, FIGG, ERNST & MANBECK, p.c.

By

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of)	BEFORE THE BOARD OF PATENT
)	APPEALS AND INTERFERENCES
James P. LEISTENSNIDER et al.)	
)	Appeal No.:
Serial No. 09/373,786)	
)	Examiner: Jeffrey C. Pwu
Filed: August 13, 1999)	
)	Group Art Unit: 3624
For: METHOD AND SYSTEM FOR)	
CREATING A PORTFOLIO)	July 29, 2002
OF STOCK EQUITIES BASED)	
ON MARKET CAPITALIZATION)	

BRIEF ON APPEAL

Assistant Commissioner for Patents
Washington, D.C. 20231

Dear Sir:

This is an appeal from the final rejection of claims 1-9 in the above-identified application, which claims were finally rejected in the Office action dated January 29, 2002. A Notice of Appeal was timely filed on May 29, 2002.

REAL PARTY IN INTEREST

The real party in interest in this case is Prudential Insurance Company of America.

RELATED APPEALS AND INTERFERENCES

An appeal has been filed and is pending in parent Application Serial No. 09/182,466 (parent of the present application), which may directly affect or may be directly affected by or have a bearing on the Board's decision in the present appeal.

STATUS OF THE CLAIMS

Claims 1-9 are the claims pending in this application and 1-9 stand rejected. This appeal is directed to claims 1-9. Claims 1, 4 and 7 constitute the independent claims on appeal.

STATUS OF AMENDMENTS

No proposed amendment after final rejection has been filed in this application.

SUMMARY OF THE INVENTION

The present invention relates to a method and system for creating a portfolio of stock equities by processing information contained in a database, using a specific set of strategic factors to obtain a portfolio of strategically selected stocks which reflects a specific investment strategy. The thus created portfolio is then implemented by purchasing the selected stocks on the open market.

According to one embodiment of the invention as shown in Fig. 1 and described at page 4, line 14 to page 5, line 13, a

computer-based system is provided which includes a data processor 100, a database 102, a storage device 104, and various input/output devices 106-114. The storage 104 contains a program according to the method of the invention, which when executed by the processor, results in the creation of the stock portfolio. The information necessary to carry out the method is contained in the database 102, and includes the information as shown in Fig. 2.

In particular, as shown in Fig. 3 and described at page 5, line 14 to page 8, line 13, the processor reads in the composition of the NASDAQ-100 Index® (a well known broad-based stock index), and the data for all of the individual stocks comprising that index. As shown in Fig. 2, the individual stock data includes the market capitalization and company sales for a predetermined time period (such as the most recent four quarters as reported by the company).

The stocks are then sorted into a running list by market capitalization, with the capitalization of the 20th stock being set as a cutoff value. Next, the stock list is sorted by sales figures (step 305). At step 306, the thus sorted stocks are compared with the predetermined market capitalization cut-off value; if the stock's market capitalization is less than this value, it is rejected. Otherwise, it is accepted into the portfolio, until a predetermined number of stocks (10 in the

example embodiment) is entered into the portfolio. The process then ends and the portfolio composition is determined. The portfolio then may be displayed, printed, communicated to remote servers, etc. for transactional processing.

ISSUES

This appeal presents the following issues for decision by the Board:

- 1) Whether claims 1, 4 and 7 are unpatentable under 35 U.S.C. § 102(e) as being anticipated by O'Shaughnessy, U.S. Patent No. 5,978,778, and are properly rejected on that basis;
- 2) Whether claims 2, 5 and 8 are unpatentable under 35 U.S.C. § 103(a) as being obvious over O'Shaughnessy and are properly rejected on that basis; and
- 3) Whether claims 3, 6 and 9 are unpatentable under 35 U.S.C. § 103(a) as being obvious over O'Shaughnessy in view of Bloom, U.S. Patent No. 6,061,663 and are properly rejected on that basis.

GROUPING OF CLAIMS

For purposes of appeal, the grouped claims stand or fall together and will not be argued separately.

ARGUMENT

The Rejection of Claims 1, 4 and 7 Is Improper

The rejection of claims 1, 4 and 7 as being anticipated by O'Shaughnessy under 35 U.S.C. § 102(e) is improper and should be reversed.

O'Shaughnessy discloses a method for carrying a computerized selection of stocks wherein stocks are selected from a stock database by screening stocks for market capitalization, then for stocks having a higher number of outstanding shares than the average in the database, then for stocks having sales of 1.5 times the mean sales in the database, and then for stocks not in the utilities sector. See col. 13, l. 55 - col. 14, l. 67. The remaining stocks are sorted by dividend yield and the results displayed to a user to select stocks to purchase.

O'Shaughnessy simply fails to disclose or anywhere suggest a method or system as set forth in claims 1-9 of the present application. First, it is noted that the stock database of O'Shaughnessy is not a **stock index** as set forth in the claims of the application. The stock database is simply a database of all active stocks, such as Value Line, S&P Compustat, or AAIL Stockpac. The database of O'Shaughnessy is similar to the database of the present invention, which is accessed to determine

the composition of a stock index, and for each stock in the index, to retrieve data relevant to the stock.

The S&P Compustat Database used by O'Shaughnessy, which is a stock database containing data pertaining to all currently existing stocks, is not a broad based stock index as disclosed and claimed in the application. O'Shaughnessy discloses at col. 13, ll. 55-60 that the stock database may be any commonly used database, such as Morningstar or the S&P Compustat Database. These databases are databases of all stocks in existence, and in no way can be characterized as broad based stock indexes, as disclosed and claimed in the present application.

Second, O'Shaughnessy fails to disclose the steps of sorting the index list by market capitalization, selecting the lowest market capitalization among a predetermined number of stocks in the sorted list as a predetermined value below which a stock will be rejected for inclusion in the portfolio, and then sorting the list by sales and comparing each successive stock having the highest sales in the list with the predetermined value to determine stocks that are acceptable for inclusion in the portfolio, up to a maximum number of stocks.

Instead, O'Shaughnessy discloses that a list is created by screening the database for stocks having a minimum market capitalization. Thus, all stocks meeting the capitalization criterion are written to a file. From that file, stocks having

higher than average number of outstanding shares are selected, and written to a second file. From the second file, stocks having sales 1.5 times the means sales in the database are selected and written to a third file. From the third file, stocks are selected which are not utilities, and the selected stocks written to a fourth file. The stocks in the fourth file are then sorted according to dividend yield.

O'Shaughnessy thus fails to disclose the use of a broad based index as a starting pool of potentially acceptable stocks as claimed, but instead starts with a pool of stocks having a minimum (small) market capitalization, and fails to disclose the remaining steps of stock selection into a portfolio. Consequently, O'Shaughnessy fails to disclose or suggest the method and system for creating a stock portfolio as disclosed and claimed in claims 1, 4 and 7.

The final rejection alleges that O'Shaughnessy "do show this step on col. 11, line 18 - col. 12, line 67." This assertion is incorrect. The section of the O'Shaughnessy reference cited by the Examiner is a portion of the "SUMMARY OF THE INVENTION" section of the reference providing a generalized summary of the disclosure subsequently provided in detail in the "DESCRIPTION OF A PREFERRED EMBODIMENT" section. That is, O'Shaughnessy's summary of the invention summarizes the specific steps later disclosed in detail in the detailed description of the preferred

embodiments. Because the language of the summary of the invention is typically broader than the detailed description of the invention and subject to interpretation, it is improper to rely on the summary of the invention in lieu of the detailed description of the actual method, in attempting to demonstrate anticipation of a claim under 35 U.S.C. § 102. To the contrary, such reliance on general summarization language while failing to show where all of the claimed limitations are found in the detailed disclosure is an indication that the prior art does not in fact disclose the claimed invention.

The final rejection's allegation is incorrect because O'Shaughnessy clearly does not disclose at col. 11, line 18 to col. 12, line 67 each of the steps recited in claim 1. A disclosure of "selecting stocks of companies with database records indicating 'market capitalization in excess of a desired capital amount'" as alleged in the Office action does not establish that O'Shaughnessy anticipates claim 1 under 35 U.S.C. § 102, because anticipation requires that each and every limitation of the claim be disclosed in a prior art reference in the same manner and configuration as set forth in the claim.

Claim 1 does not simply recite "selecting stocks of companies with database records indicating 'market capitalization in excess of a desired capital amount.'" Instead, claim 1 requires the steps of sorting the index list by market

capitalization, selecting the lowest market capitalization among a predetermined number of stocks in the sorted list as a predetermined value below which a stock will be rejected for inclusion in the portfolio, and then sorting the list by sales and comparing each successive stock having the highest sales in the list with the predetermined value to determine stocks that are acceptable for inclusion in the portfolio, up to a maximum number of stocks.

O'Shaughnessy does not disclose these steps. Instead, O'Shaughnessy discloses that a list is created by screening the database for stocks having a minimum market capitalization. Thus, all stocks meeting the capitalization criterion are written to a file. From that file, stocks having higher than average number of outstanding shares are selected, and written to a second file. From the second file, stocks having sales 1.5 times the means sales in the database are selected and written to a third file. From the third file, stocks are selected which are not utilities, and the selected stocks written to a fourth file. The stocks in the fourth file are then sorted according to dividend yield. See col. 13, l. 55 - col. 14, l. 67 (which is part of the detailed description of O'Shaughnessy's preferred embodiment).

The Examiner alleges that the term "broad based" (in reference to the claim limitation "broad based stock index") is a

relative term. However, the term "index" is not a relative term. As acknowledged by the Examiner, an index is commonly understood to be a predetermined subgroup of stocks whose market movements are designed to reflect the movement of the entire market as a whole. The Examiner has mistaken the S&P 500, which undisputedly is a stock index, with the S&P Compustat DataBase referred to by O'Shaughnessy. The S&P Compustat DataBase is **not** a stock index, whether broad based, narrow based or otherwise. As clearly stated at page 4 of Applicants' previous response, the S&P Compustat DataBase is a database of **all** stocks in existence, and therefore is not a "group of stocks that consists of an index of different stocks designed to reflect the movement of the entire market," as defined in the Office action. O'Shaughnessy fails to so much as allude to the S&P 500 index, and as such the Examiner's position is in error.

The Rejection of Claims 2, 5 and 8 Is Improper

With respect to claims 2, 5 and 8, the final Office acknowledges that O'Shaughnessy fails to disclose or suggest selecting the top 20% of a broad based stock index as a predetermined value of market capitalization. The final Office action simply asserts that it would have been obvious to one of ordinary skill in the art to have selected such a parameter.

However, it is not enough for the Examiner to simply allege that what an applicant claims is obvious. Obviousness must be demonstrated by showing that the claimed invention was suggested by the prior art or by the nature of the problem to be solved together with the knowledge of those of ordinary skill in the art. See Ruiz v. A.B. Chance Co., 234 F.3d 654, 57 USPQ2d 1161 (Fed. Cir. 2000). Here, the final rejection has failed to establish the knowledge of those skilled in the art, and has failed to articulate the known nature of any problem to be solved in the art. The rejection is therefore untenable and should be reversed.

The Rejection of Claims 3, 6 and 9 Is Improper

Bloom et al. discloses a computer system and method for rebalancing a capitalization-weighted stock index to prevent significant concentration in the capitalization weight of a few highly capitalized stocks from dominating the overall performance of the index. For example, the index to which Bloom is directed may be the NASDAQ-100 Index. However, applicants do not claim to have invented the NASDAQ-100 Index. That such index is known in the art, as disclosed by Bloom, does not render use of such index in the O'Shaughnessy method obvious, nor does any combination of Bloom with O'Shaughnessy render the claimed invention obvious.

With respect to claims 3, 6 and 9, the Examiner alleges that "choosing capitalization weighted indices, in creating a stock portfolio, is an old and well-established business practice and different indices can be used alternatively," relying on Bloom et al.

Bloom et al., however, simply discloses a computer system and method for rebalancing a capitalization-weighted stock index to prevent significant concentration in the capitalization weight of a few highly capitalized stocks from dominating the overall performance of the index. For example, the index to which Bloom is directed may be the NASDAQ-100 Index. However, applicants do not claim to have invented the NASDAQ-100 Index. That such index is known in the art per se, as disclosed by Bloom, does not render use of such index in the O'Shaughnessy method obvious, nor does any combination of Bloom with O'Shaughnessy render the claimed invention obvious. Specifically, Bloom pertains to a method for ensuring that a stock index accurately reflects the movement of whatever market sector is desired to be reflected by that index. Bloom neither discloses nor suggests any use of a stock index at all, much less use of a stock index in the creation of a stock portfolio as disclosed by O'Shaughnessy.

CONCLUSION

In view of the foregoing, claims 1-9 are submitted to be directed to a new and unobvious system and method for creating a portfolio of stock equities, which are nowhere disclosed or suggested in the prior art of record. The Honorable Board is respectfully requested to reverse all grounds of rejection and to direct the passage of this application to issue.

Please charge any fee or credit any overpayment pursuant to 37 CFR 1.16 or 1.17 to Deposit Account No. 02-2135.

Respectfully submitted,

ROTHWELL, FIGG, ERNST & MANBECK, p.c.

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APPENDIX OF CLAIMS ON APPEAL

1. A computer-implemented method for creating a portfolio of equity stocks, comprising the steps of:
 - determining the composition of a predetermined broad based stock index by accessing a database and creating a list of the stocks making up said index;
 - obtaining from said database for each stock in said index, data relating to at least market capitalization and sales of the company issuing the stock;
 - sorting said index list by market capitalization and setting the lowest market capitalization among a predetermined number of stocks in said sorted index list as a predetermined value; and
 - sorting said index list by sales and placing into said portfolio, until a predetermined number of stocks are reached, a stock having the highest sales of said sales-sorted list and having a market capitalization not less than said predetermined value.
2. The computer-implemented method of claim 1, wherein said predetermined value of said market capitalization is the top twenty percent of said broad based stock index.
3. The computer-implemented method of claim 1, wherein said broad based stock index is the Nasdaq-100 Index.
4. A computer-implemented system for creating a portfolio of equity stocks, comprising:
 - a database containing information pertaining to individual stocks, and information pertaining to the identity of stocks making up a known stock index;

means for determining the composition of a predetermined broad based stock index by accessing said database and creating a list of the stocks making up said index;

means for obtaining from said database for each stock in said index, data relating to at least market capitalization and sales of the company issuing the stock;

means for sorting said index list by market capitalization and setting the lowest market capitalization among a predetermined number of stocks in said sorted index list as a predetermined value; and

means for sorting said index list by sales and placing into said portfolio, until a predetermined number of stocks are reached, a stock having the highest sales of said sales-sorted list and having a market capitalization not less than said predetermined value.

5. The computer-implemented system of claim 4, wherein said predetermined value of said market capitalization is the top twenty percent of said broad based stock index.

6. The computer-implemented system of claim 4, wherein said broad based stock index is the Nasdaq-100 Index.

7. A computer program product having computer-readable code stored on a computer-readable storage medium, said computer readable code comprising:

means for determining the composition of a predetermined broad based stock index by accessing a database and creating in a computer in which said code is programmed a list of the stocks making up said index;

means for obtaining from said database for each stock in said index, data relating to at least market capitalization and sales of the company issuing the stock;

means for sorting said index list by market capitalization and setting the lowest market capitalization among a predetermined number of stocks in said sorted index list as a predetermined value; and

means for sorting said index list by sales and placing into said portfolio, until a predetermined number of stocks are reached, a stock having the highest sales of said sales-sorted list and having a market capitalization not less than said predetermined value.

8. The computer program product of claim 7, wherein said predetermined value of said market capitalization is the top twenty percent of said broad based stock index.

9. The computer-implemented system of claim 7, wherein said broad based stock index is the Nasdaq-100 Index.